

BEFORE THE LETTER OF INTENT

Know three numbers before you sign.

A buyer's offer tells you what the company may be worth. It does not tell you whether the sale will pay for the life you want after it. Once a letter of intent is signed and exclusivity begins, your options narrow quickly. Get these answers first.

THE HEADLINE

Headline value

What the buyer says the company is worth.

- ◆ Is it enterprise value or equity value?
- ◆ What happens to debt, cash, and working capital at closing?

WHAT REACHES YOU

Likely net proceeds

What actually lands in your accounts, and when.

- ◆ Subtract debt, transaction costs, taxes, escrow, and holdbacks.
- ◆ Treat earnouts, seller notes, and rollover equity as promises, not cash.

WHAT YOU NEED

Required personal capital

What your household needs without the business.

- ◆ Include what the company pays for you today: health coverage, car, phone, travel.
- ◆ Subtract income that continues and count the investments you already have.

Then put the last two
side by side.

If what reaches you comfortably covers what you need, you can negotiate from strength and afford to be patient. If it does not, you need a better structure, more time, a different buyer, or a different plan. Far better to learn that before exclusivity than after closing.

Questions to bring to your advisors

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| ☐ Which parts of the price arrive at closing, and which depend on future events? | DEAL TEAM |
| ☐ What tax will this structure likely create, and when is it due? | YOUR CPA |
| ☐ What do the escrow, earnout, and note terms put at risk? | YOUR ATTORNEY |
| ☐ What does our household need each year, and for how long? | YOUR PLANNER |
| ☐ What changes for our income and health coverage the day after closing? | ALL OF US |

Shared with you by

Want help putting the numbers side by side?
Gregory Garone, CEPA® · morrowgatewealth.com/start-here

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